

SKANDINAVISKA BANKEN

AKTIEBOLAG



QUARTERLY REVIEW

ISSUED BY

THE STATISTICAL DEPARTMENT

Vol. 36 · No. 1 · January 1955

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THE RETURN TO A FLEXIBLE CREDIT POLICY

BY PER JACOBSSON

With the decision of the Swedish Debt Office in October 1954 to issue a 4 per cent. loan with a currency of sixteen years (repayable at the earliest after twelve years) and the discontinuation, at the same time, by the Sveriges Riksbank of its practice of supporting the market quotations of government bonds, a real break was made for the first time since the war with the cheap-money policy which had for a long time been carried out in Sweden almost as if it were an article of faith. The immediate reason for the change of policy was probably that the boom which had gathered strength during the year appeared to be having an inflationary effect; in order to increase competition from foreign countries, the government had already taken steps a few weeks earlier to liberalise imports from the dollar area. By taking, in conjunction with each other, commercial and monetary measures of this nature the Swedish authorities seem to have recognized that direct physical controls (in the form, for example, of quantitative import restrictions) have had their day and will have to be replaced by the more supple methods of indirect financial control. Even though further measures may prove necessary, those already taken can be regarded as a sign of a most useful reconsideration of Sweden's commercial and credit policies.

In Denmark a balance-of-payments crisis had begun to make itself felt in the spring of 1954 and when, in June, the trend of the monetary reserves was rather sharply reversed, the decision was taken to raise, as a first remedial measure, the official discount rate from 4 1/2 to 5 1/2 per cent. (corresponding changes being made in the various long and short-term market rates). When, in the late summer, additional measures proved necessary, the Danish authorities again decided not to impose any quantitative import restrictions but to curtail government expenditure for current

and capital purposes and also to raise the rates of certain taxes, *i.e.* to continue the application of financial measures of a general character.

It may be pointed out that in Denmark the whole of the government, and in Sweden two-thirds of it belong to the Socialist Party, and that nearly all the remaining members of the Swedish Government belong to the Farmers' Party. This is worth noting for it does not fit in with the often heard assertion that socialists and farmers are, by and large, staunch adherents of a cheap-money policy, preferring physical controls to an increase in interest rates. That is certainly no longer the case in Denmark and Sweden; and with regard to Europe as a whole the assertion in question was never really true. Belgium, for instance, is generally quoted as the first country to have applied a flexible credit policy after the war — and from February 1945 to August 1949 Belgium had socialist governments (with either Van Acker or Spaak as Prime Minister). In fact, the Belgian trade unions have been anxious to prevent at all costs an inflationary rise in prices, since they have feared that such a rise would deprive the workers of the substantial advantages they had gained by the increase in money wages at the very end of or just after the war. In the Netherlands, a coalition government, in which the offices of Prime Minister and Finance Minister have all the time been held by members of the Labour Party, agreed to an increase in the official discount rate of the Nederlandsche Bank in the summer of 1950, after the outbreak of the Korean conflict, and to another increase in April 1951. As far as western Germany and Austria are concerned, it is understood that the decisions taken in these countries in the years 1950—52 to increase the official discount rates (up to a maximum of 6 per cent.) were fully supported by those members of the Boards



of the respective central banks who were members of the Socialist Party. One may also recall that in two periods of strain Sir Stafford Cripps, then Chancellor of the Exchequer in the British Government, did not object to the raising of the long-term interest rates quoted for gilt-edged securities to a level of about 3 per cent. in 1947 and close on 4 per cent. in 1949.

It thus seems to be a fact that the advantages of a flexible credit policy really are being recognized by the authorities in the various countries, irrespective of the political orientation of the governments in power. The evolution of thought and action in this direction must be considered a most fortunate development. One of the great advantages of the gold standard, it will be remembered, was the fact that the safeguarding of the value of the currency and the taking of the measures required for that purpose were matters which did not enter the field of party politics. In our days, the authorities are undoubtedly more concerned with the general state of business than they were in the past, with the result that it is more difficult to prevent political differences from having an impact on monetary policy; and it is precisely for this reason that it is a cause for considerable satisfaction that certain broad principles regarding the use of the means of monetary action seem once again to have become generally accepted.

This is of importance also from another point of view. The trade liberalisation which has been one of the aims of the O. E. E. C., and is now being extended to include imports from the dollar area, will be securely based only if the countries concerned are prepared to correct any lack of equilibrium which arises by adopting such general measures of a financial character as do not directly interfere with the exchange of goods and services. Reliance upon the means of monetary policy is, indeed, a condition for the healthy expansion of world trade and a prerequisite for any useful attempt at economic integration, as has, incidentally, been proved by the experience of the Benelux countries in this field — and all this is fully realized by the O. E. E. C. in Paris and the G. A. T. T. in Geneva.

The fostering of sound international trade

relations is, of course, a very important matter, but, even so, commercial considerations cannot be regarded as having been the main reason why the authorities in so many countries have returned to a flexible credit policy. They have in fact had a much more compelling motive for doing so, in that they have gradually come to understand that the alternative policy of relying on quantitative import restrictions and other forms of direct controls could not be made to work in a peacetime economy. In wartime, the new monetary purchasing power issued to finance the war was retained to a large extent as "unspent balances" by the recipients, who, owing to the conditions of emergency, either decided to save more or were simply unable to buy what they wanted when goods and services were no longer so readily available. In peacetime matters are different. When, in peacetime, fresh amounts of monetary purchasing power find their way into the hands of the public there is no reason why either individuals or business firms should hold more than a normal amount in the form of cash reserves, and the new money, when spent, causes an increase in the demand for consumer or investment goods. Should an attempt be made in such a situation to combat, by the introduction of quotas and the adoption of other methods of direct control, the resulting tendency to an increase in imports, the effect of the new purchasing power will very likely manifest itself in an increased demand for domestic goods, of which less will then be available for export. This will lead to a deficit in the balance of payments; and it is often for this reason that so many countries in these post-war years have been unable to eliminate their balance-of-payments deficits notwithstanding all their import restrictions. They have had no alternative but to restore a financial balance in the domestic economy in order to rectify the foreign-trade position. And thus one country after the other has discovered that it was not really free to choose between a system of direct physical controls, on the one hand, and the re-establishment of internal financial balance, on the other, since unless such a balance was restored the difficulties would remain. The countries in question were indeed forced to take the



proper measures in the internal economy and soon found that flexible interest rates were a great help in correcting disequilibria which had arisen.

It is now possible to examine various problems of monetary policy in the light of actual practical examples from the experience of recent years, discussing particular measures of credit policy, especially changes in interest rates, in relation to certain precise circumstances, *i.e.* with reference to situations in which there has undeniably been a need for a corrective influence.

Two kinds of circumstances in which an *increase in interest rates* has proved useful merit particular attention.

In the first place, the central bank of a country which is having to reduce its foreign exchange holdings in order to cover a deficit in its balance of payments may find an increase in the discount rate indispensable as a defensive measure. As typical instances of such central bank action one may quote the increases in the discount rate in Belgium, the Netherlands and western Germany in the summer and autumn of 1950 after the outbreak of the conflict in Korea, when people in these countries made a rush for goods, fearing that supplies on the world markets might become uncomfortably scarce and, moreover, that foreign exchange allocations by the authorities, even for the import of raw materials, might be substantially curtailed. It was not until 1951 that Great Britain and France felt a similar strain, and the increases in their official discount rates took place only in the latter half of that year.

When a central bank (acting on its own account or as agent for a Stabilisation Fund) sells more foreign exchange than it can actually purchase, it will be collecting from the market a net amount in its own currency. This in itself creates a tendency to credit contraction; and experience shows that if the subsequent issue of fresh funds can be prevented, or at least restricted, the credit contraction can be relied upon to slow down imports and will often force holders of commodities to dispose of part of their stocks more quickly than would otherwise have been the case.

Indeed, the countries which have adopted a flexible credit policy have found an increase in interest rates (together with other measures of

credit policy) to be very effective in helping to check the creation of fresh credit via the banking system. It is often a case of preventing what the Americans call the "monetisation of debt", *i.e.* the creation of new purchasing power through the purchase of government bonds by the monetary authorities. If a central bank always has to be prepared to take over government paper at a fixed rate of interest it will be at the mercy of the market and will usually find that it is unable to influence the amount of credit outstanding. This particular point is rarely disputed these days, especially since the authorities in the United States decided, for reasons which in this case were not connected with the state of the balance of payments, to pursue a flexible interest-rate policy, as laid down in the agreement of March 1951 between the Treasury and the Federal Reserve Board.

The second kind of circumstance in which an increase in rates has a useful part to play, relates more particularly to the *long-term interest rates* quoted in the capital markets. Fairly conclusive evidence of the need for caution and flexibility in this field is furnished by the experience of Sweden in the years 1946—48, during which the Sveriges Riksbank continued, month after month, to support the quotations for government bonds in order to prevent yields from rising above the fixed level of 3 per cent. One of the main purposes of this policy was to make funds available, at relatively low rates, for the building industry, but it is likely that considerations relating to the maintenance of "full employment" also played a certain rôle, particularly as the authorities seem to have believed at the time that a post-war depression was to be expected. With the continued business boom after the war, there was a very persistent demand for credit, and the commercial banks and some other credit institutions obtained a large part of the funds which they needed through sales of government bonds. Much of the paper thus offered on the market was actually bought by the Riksbank, which from the beginning of 1946 to the end of 1948 added no less than S. Kr. 2900 million to its holdings of government securities. The money created by these bond purchases did not remain unspent and very



soon it had appeared in the domestic economy in the form of additional demand. There being no unemployed resources of any consequence available in the domestic economy, the additional demand set up a tendency for imports to be increased, whereas there was little incentive, on the other hand, to step up exports, the consequence being a series of balance-of-payments deficits which, in the three years 1946—48, reduced the country's gold and foreign exchange reserves by an amount of S. Kr. 2 200 million. For it was, of course, by drafts on the accumulated reserves — and not out of the blue — that the real resources required for the additional building activity and other investments were obtained.

Now most people would agree that the direct financing by a central bank of a budget deficit normally has an inflationary effect; but it is perhaps not so generally realized that newly-created credit which is directly used to finance additional investment at a time of booming business must have very much the same effect, since it is bound to lead to an immediate increase in demand without bringing about any corresponding increase in domestically-available resources. No wonder, then, that most central banks have made it a rule to abstain, in a period of boom, from injecting newly-created credit into the long-term market, since they feel that they must be particularly careful whenever there already exists in the economy a strong demand for funds for investment purposes.

In Great Britain the appropriateness of such a rule was recognized when, in the autumn of 1947, Sir Stafford Cripps, the newly-appointed Chancellor of the Exchequer, allowed the yields on long-term British Government securities to rise from $2\frac{1}{2}$ per cent. to over 3 per cent., and subsequently — in 1949 — to nearly 4 per cent. It was the Labour Government, therefore, which, in Great Britain, put an end to the era of all-round cheap money, beginning, as was most urgent, with the rates on the capital markets. Some years still had to pass before a corresponding change was introduced on the short-term markets; but the importance of the earlier changes should not be overlooked. Indeed, it is unlikely that surpluses could have been obtained in the balance of

payments in each of the three years 1948—50 (not counting U. S. aid) if long-term interest rates had been kept down by the creation of new money.

Since it is essentially via the long-term markets that the funds needed for investment purposes are made available, it is in these markets that the real forces of thrift and productivity make themselves most clearly felt. It is a pleasure to quote in this connection the Cambridge economist, Sir Dennis Robertson, who wrote in 1952 that "in a free enterprise economy, even one with an active central-banking system, it is fundamentally the long-term rate which is the senior partner"¹. A similar conclusion had been reached by his teacher, Alfred Marshall, some forty years earlier. This does not mean that the short-term rates are of no importance — they will as a rule have to move in sympathy with the long-term rates, though they may sometimes stage a movement of their own — but it is the conditions governing long-term investment which generally reflect the more profound influences.

It seems that governments and central banks are allowing themselves to be guided to an increasing extent by the principles of a flexible credit policy. When, in the spring of 1954, the Danish Government was unable to obtain from sales of bonds the capital funds which it needed, it drew a total amount of D. Kr. 390 million from its account at Danmarks Nationalbank in the five and a half months from about the beginning of April to the middle of September, while over the same period the Nationalbank sustained a loss of D. Kr. 405 million in its foreign exchange reserves (the closeness of the two figures being not altogether coincidental). In June of the same year the Nationalbank, as already indicated, increased its discount rate from $4\frac{1}{2}$ to $5\frac{1}{2}$ per cent. and it later withdrew its support from the bond market, thus allowing long-term interest rates to move upwards. Further measures of a fiscal character were taken in September and October; in the latter month the government was able, out of current income, to reduce somewhat its over-

¹ 'Utility and all that and other Essays' by D. H. Robertson, published by George Allen & Unwin, Ltd, London, 1952; see page 114.



draft with the Nationalbank and it also began again to be able to obtain fresh funds by the sale of bonds (at rates, however, which had risen to over 6 per cent.).

In view of the experience gained in a large number of countries, it can now be said to be generally recognized that flexible credit policies have proved their usefulness as a means of limiting the creation of credit in a period of sustained business activity.¹ The question remains, however, *whether equally good results will be achieved in a period of depression by the reduction of interest rates* in order to help to bring about a revival in activity. There are some people who doubt whether this will be possible on the grounds that "one can take a horse to the water but one cannot make it drink".

In the first place, it should be pointed out that we in western Europe still live under conditions characterized by a high level of business activity and that it is therefore valuable that the usefulness of a flexible credit policy under such circumstances should have become generally recognized.

With regard to the opposite conditions, when business activity is on the decline, it is perhaps not irrelevant to mention that most people who have led horses to water have found that in fact the horses usually do drink. If by any chance a horse obstinately refuses to do so this generally indicates that it is suffering from some serious illness — and needs some special treatment.

Perhaps this has a parallel in economic life, when the normal measures of credit policy are found to be ineffective. For there is no doubt that a lowering of interest rates is a useful and even indispensable remedy in a depression, since

activity is unlikely to revive under such conditions unless the level of interest rates is brought down. It is well to remember, for instance, that the devaluation of the pound in September 1931 was not the sole factor responsible for the upturn in the business trend in Great Britain in the 1930s and that the improvement did not really make itself felt until after the successful conversion operation in the summer of 1932, when the 5 per cent. War Loan was converted to a 3 1/2 per cent. basis. It is interesting to compare this experience with developments in other countries, in which the lowering of interest rates does not seem to have played any important part in helping to revive business activity during the depression in the 1930s. It will be seen that at least in some cases there were certain special circumstances standing in the way of recovery. Take the case of Switzerland, for instance: although there had been a fall in the level of interest rates in that country well before the breaking-up of the gold bloc in 1936, the business situation had gone from bad to worse from 1934 onwards. The fact that there was no resumption of the upward trend in Swiss business activity was no doubt mainly due to the overvaluation of the Swiss franc, which had become a more serious matter since the devaluation of the dollar in 1933—34 and the simultaneous lowering of the exchange value of several other currencies. As a result, costs and prices in Switzerland were out of line with those in other countries — and this disequilibrium had its repercussions even in the internal economy. Once the Swiss franc had been devalued in the autumn of 1936, it was possible, with efforts still being made to keep domestic costs down, for balance to be restored and for the normal forces once more to become effective in the Swiss economy. Similarly, in the United States over-valuation of the dollar (due to the devaluation of sterling and a number of other currencies in the autumn of 1931) probably had a great deal to do with the sudden petering-out of the recovery, of which there were beginning to be faint signs in the summer of 1932, for interest rates, at least short-term rates, had been on the decline ever since the collapse of the stock exchange in the autumn of 1929. Moreover, after the dollar had been devalued in 1933 the

¹ The fear that a flexible credit policy might lead to a serious slowing-down in economic activity has been dispelled by the remarkable increase in production achieved by western Germany and the Netherlands notwithstanding the raising of interest rates in these countries. Switzerland and Belgium are often cited as the two countries which were the first to pursue a more careful credit policy after the war, and it is indeed interesting to find that the rate of increase in their national income, in terms of constant values, is comparable with that attained by other successful countries here in Europe. Moreover, striking evidence that investment activity in Switzerland and Belgium has been well sustained is provided by the fact that in 1953 these two countries had a higher consumption of cement per head of population than any other country in the world, being in this respect well ahead not only of western Germany and Sweden but also of the United States.



balance between costs and prices was again upset by sudden sharp increases in wage rates which were not followed by corresponding increases in commodity prices; and then again during the 1936—37 boom wage costs went up rapidly, so that once more equilibrium was not achieved.

Other examples could be quoted, but those given may suffice to support the important argument that a lowering of interest rates at a time of depression may not have the desired effect if, for reasons unconnected with the price of credit, the economy of a country is suffering from a serious disequilibrium which prevents the normal recuperative forces from making their influence felt. In fact, one should not expect too much of monetary policy alone. A primary consideration to be borne in mind nowadays is the great importance acquired by the public sector owing to the high level of government expenditure and the enormous size of the public debt. If not enough funds are available to meet the requirements of private business it is no good blaming a restrictive credit policy, which the central banks may have to adopt in order to prevent inflation; the fault lies with the governments, who have absorbed too much in order to satisfy the needs of the public sector. Some other potentially disturbing factors such as disequilibria between costs and prices have already been mentioned. There may, further, be periods in which there is a genuine shortage of monetary purchasing power (connected, for instance, with inadequacy of gold production), and in such a case special steps may have to be taken to make good this particular deficiency, which, fortunately, is not very common.

In matters of interest-rate policy it is not possible to lay down hard-and-fast rules, since so much depends on the circumstances in each particular case. As far as the immediate future is concerned, it is not beyond the bounds of possibility that an increase in business activity in the United States may intensify the boom which is already in full swing in most west European countries. In this event the question would arise whether it would not be desirable to seek to moderate the tempo of the boom by the application of a somewhat stiffer credit policy. If so, the possibility of an increase in interest rates might have to be con-

sidered even by countries which did not experience a loss in their monetary reserves.¹

The great advantage of a return to a flexible credit policy lies precisely in the fact that there is no longer any question of dear money having taken the place of cheap money, since rates are permitted to move upwards or downwards according to changing circumstances. It is satisfactory to note that in 1953—54 a number of European central banks were able to lower the rates after having increased them in 1950—52. But it is also worth recalling that when Bank rate in the United Kingdom was lowered in 1953 the Governor of the Bank of England stated that he would not forecast in what direction the next change would be. In the ten-year period up to 1914 the Bank of England altered the bank rate, on an average, five times a year. Such frequency of alterations seems almost unbelievable to the present generation and it will probably not recur — but, even so, alterations upwards and downwards should not be regarded as at all exceptional. It has been found by experience that in countries in which the value of money has been relatively well maintained notwithstanding the two wars (so that confidence in the national currency was never lost) and in which current Government borrowing has been kept within reasonable limits, relatively moderate changes — of $1/2$ to $1\ 1/2$ per cent. —

¹ A temporary increase in interest rates in order to moderate the upswing of the trade cycle is, of course, compatible with the acceptance of a long-trend decline in the whole interest-rate structure. It may be presumed that, especially in those countries in which long-term rates have remained very high, the continuous increase in the stock of capital assets and the strengthening of confidence in the respective currencies will lead to a downward adjustment in interest rates. But, even so, a flexible credit policy, permitting temporary increases in interest rates when appropriate, should be pursued (as was done during the long period of declining interest rates from 1873 onwards).

One difficulty at present in the way of the raising of interest rates in some European markets — in particular the London market — is the fact that, owing to the very low level of the rates quoted in New York (about 1 per cent. for three-month government bonds) any rise may result in an increased movement of funds from the American to the European money markets, which may not be convenient to the monetary authorities in the European countries affected. One cause of the trouble is that for some years there has not been any close synchronisation between the business trends in the United States and in Western Europe. For the European countries this lack of synchronisation has been all to the good in the last two years (1953—54), during which their economies have continued to expand notwithstanding the U.S. recession, but it sometimes creates certain difficulties in particular fields.



in the rates of interest have proved highly effective; and this has meant that yields on government bonds have never risen to more than 4 or 4 1/2 per cent. (the rise being often followed by a fairly speedy reduction to a rate somewhat below 4 per cent.). The myth has been exploded: nobody believes any longer in the dreadful things that it was said would happen if there were any rise in interest rates.

And it is indeed important that not only our credit policies should be flexible but also our minds. We hear a great deal about the radical changes in production which will result from the use of electronics and the development of new products in the field of plastics — not to speak

of atomic energy. Maybe we are on the threshold of a new industrial revolution — and we cannot tell what demands the future will make on our capital resources. It is not easy in a rapidly progressing economy to maintain a proper balance between the various elements, but both private industry and the public authorities — monetary and political — must do all they can in order to ensure a comparatively steady rate of growth. A flexible credit policy is certainly one of the most important means available to the authorities in order to achieve this object, and it is all to the good that there is no longer any strong prejudice against its use.



SOME TRENDS IN SWEDISH EXPORTS

BY HANS SWEDBERG, MANAGER, GENERAL EXPORTS ASSOCIATION OF SWEDEN

There are many indications that we have now reached the end of a first phase of the post-war period. The productive apparatus of the countries in Europe and the Far East, severely damaged during the hostilities, seems now to be once more in good shape, and international trade has been freed from a number of burdensome restrictions originating in earlier conditions. It would seem, therefore, that in some important respects the period of convalescence is now over. The principal trading countries of the world can with renewed health — though perhaps in some cases with limping feet — devote themselves to the struggle for customers in an atmosphere that is growing ever more competitive in character. As far as Swedish exports are concerned, a cross-roads may be said to have been reached. For while in many respects the future seems from the viewpoint of commercial policy to be less anxious than it was before, on the other hand the question of the competitive power of our export products takes an increasing importance as the international market becomes freer.

Although the general trend in Swedish exports

during the post-war period seems, when studied closely, to have been full of contradictions and therefore difficult to sum up, two tendencies can be said to dominate. One of these tendencies is a change in the direction of an increasingly larger share for processed goods, while the other is connected with markets and takes the form of slowly rising exports to countries outside Europe.

Both these tendencies can be clearly perceived from a brief glance at the statistics of Sweden's external trade. Among other things, the figures show that the share of processed goods in Swedish exports has increased by about 5 per cent. since the pre-war period; at present these goods account for about half the total value of our exports. Taken by volume the shift towards manufactured goods becomes more marked, because the trend of prices since the war has generally been more favourable for raw materials than for manufactured goods. That the Swedish exports are trying to find overseas markets to an increasing extent appears from the fact that during recent years about 25 per cent. of total exports have gone to non-European countries against about

Table 1. Exports in 1938 and 1950—54 from Some Countries.

	1938		1950		1951		1952		1953		1954 Jan.—June	
	1,000 Mill. Dollars	%	1,000 Mill. Dollars	%	1,000 Mill. Dollars	%	1,000 Mill. Dollars	%	1,000 Mill. Dollars	%	1,000 Mill. Dollars	%
World exports . . .	20.9	100.0	56.7	100.0	76.9	100.0	74.2	100.0	74.9	100.0	36.2	100.0
Western Europe . .	9.4	45.1	19.8	34.9	27.2	35.4	27.3	36.7	27.6	36.8	14.3	39.6
United Kingdom . .	2.6	12.5	6.3	11.1	7.6	9.9	7.6	10.3	7.5	10.0	3.9	10.8
Western Germany . .	2.3 ¹	10.8 ¹	2.0	3.5	3.5	4.5	4.0	5.4	4.4	5.9	2.4	6.7
Switzerland	0.3	1.4	0.9	1.6	1.1	1.4	1.1	1.5	1.2	1.6	0.6	1.6
Sweden	0.5	2.2	1.1	1.9	1.8	2.3	1.6	2.1	1.5	2.0	0.7	2.0

¹ Pre-war Germany.



20 per cent. during the pre-war period. The last-mentioned circumstance is particularly noteworthy in view of the fact that our exports to the immense market of the United States have, with the increasing tendency for pulp exports to concentrate on the old buying countries in Europe, perceptibly declined by comparison with the pre-war years (from 9 per cent. in 1938 to about 5 per cent. in 1954).

These two tendencies become even clearer if earlier years are taken for purposes of comparison. Thus, in the period 1901-04 only about 4 per cent. of our total exports went directly to countries outside Europe, and the share of raw materials was nearly 75 per cent.

The trend of Swedish exports during recent years can in several respects be said to represent a continuation of the favourable development, viewed from the international angle, that took place during the inter-war years. Our exports passed the pre-war volume in 1949, partly perhaps as a result of the devaluation introduced in September of that year. The outbreak of the Korean war in the summer of 1950 also greatly stimulated Swedish exports, the total value of which amount-

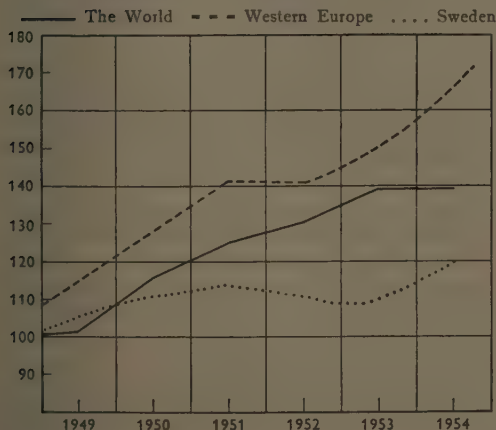
ed during the following year to no less than 9 200 million kronor, a figure never previously reached. Imports did not rise with equal rapidity and, partly as a result of this, Sweden had a total surplus in its foreign payments during 1951 of nearly 1 000 million kronor, this also being a record figure. After the peak year of 1951 our exports declined in value. During 1953 there was, however, an upward tendency which was further accentuated during 1954. The total result of exports during 1954 will therefore seem to indicate a rise by some 10 per cent. above the level of 1953 both in regard to volume and value. As to volume this will mean that the large exports of 1951 have been exceeded.

Export Trends in Sweden in Comparison with World Exports

We know from experience that the Swedish export trade, with its important element of raw materials and capital goods, sensitive to economic fluctuations, usually follows pretty closely the

Industrial Production Developments in the World as a whole as well as in Western Europe and Sweden during 1949-54.

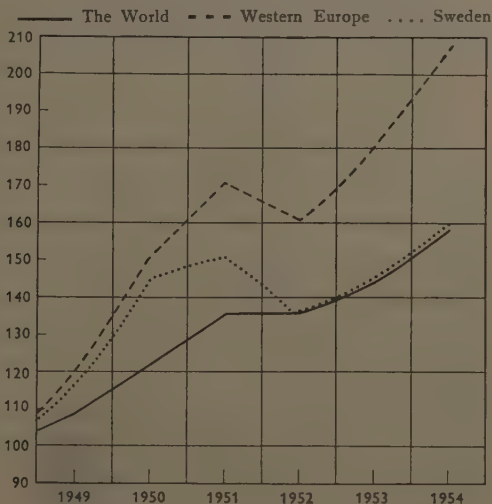
(Volume index number 1948 = 100).



Source: Monthly Bulletin of Statistics, Aug. 1954 and Oct. 1954.

Export Developments in the World as well as in Western Europe and Sweden during 1949-54.

(Volume index number 1948 = 100).



Source: Monthly Bulletin of Statistics, Aug. 1954 and Oct. 1954.



prevailing trend in world exports. This has been the case during recent years, although the decline during 1952 was greater in Swedish exports than in world exports (see diagram). Among European countries, Western Germany shows a particularly favourable development, with a twofold increase in the volume of exports during the last four years. For the United Kingdom also — the development of whose external trade is of particular importance to Sweden since no less than one-third of our own foreign trade is done in sterling — the increase in the volume of exports has been considerable, amounting to about 20 per cent. between 1949 and 1954.

It is of great interest to observe in the international statistics how the share of processed goods in world exports has grown during recent years. This trend seems natural in view of the very great increase which has taken place during the last few decades in the world's industrial production. This appears to have almost doubled since pre-war times and since 1948 has risen by 40 per cent.; the increase of production in agriculture and mining has been considerably smaller. In Sweden, too, industrial production expanded rapidly both during and after the war and is now about 70 per cent. greater than in 1938.

A glance at the two diagrams above throws further light on the trend in Sweden as compared with Western Europe and the world as a whole. An especially noteworthy feature is the great development of industry and exports in Western Europe in comparison with the corresponding trend in Sweden and the world in general, which, though also rising, has been doing so at a considerably slower pace.

Expanding Swedish Exports of Processed Goods

The tendency in the Swedish export trade towards an increased share for processed goods becomes obvious after even a very brief survey of the more important sectors. If we look at the important sphere of Swedish exports which is represented by forest products, *i.e.* more than two-fifths of the whole value of exports, we can observe a greatly increased share for such things as paper, wallboard and wood chemicals. Thus,

between 1938 and 1954 paper exports have risen by 300 000 tons, and there is reason to hope for a further increase as a result of the expansion of capacity which is now going on in the Swedish paper industry. During 1954 it seems likely that wallboard exports will have reached the record figure of 200 000 tons, and the appearance of wood chemicals in the export field belongs essentially to the post-war years. In the wood-goods sector proper, it would certainly be pleasant to be able to look forward to increased exports of planed timber, and also box-boards. Unfortunately the fact is, however, that many countries are tending to screen off their markets for processed wood goods by high tariffs and other obstacles to imports.

In the sector of mineral products, including in this iron ore, iron and steel and engineering products, which together also account for about two-fifths of Swedish exports, the development towards a higher degree of processing is even more marked. It is true that in the iron and steel section we have not yet reached the high pre-war figure of 200 000 tons for our exports of high-quality steel, most of which went to what is now Western Germany and to the United Kingdom. In engineering exports, on the other hand, there has been a particularly rapid expansion. Whereas the increase in volume for forest products between 1938, a comparatively bad year for such exports, and the more favourable year 1953 may be estimated at around 30 per cent., the corresponding increase for engineering products amounted to no less than 90 per cent.

The future trend of engineering exports is, especially from the point of view of employment, one of the most discussed problems in Sweden's external trade. During last year there were very clear signs of recovery following the decline of 1952 and the beginning of 1953, and the final results for our engineering exports as a whole during 1954 will probably be a rise in value of 20—25 per cent. as compared with the previous year, the increase in volume being slightly greater than this. Undoubtedly this represents in itself a very gratifying advance for our exports in a market where the prices are becoming increasingly forced down. The greater part of the increase



relates to deliveries of ships, which are estimated to have reached a value of about 625 million kronor in 1954, but the machine industry and the electro-technical industry have also had a good year for their exports.

The remaining one-fifth of Swedish exports includes, among other items, agricultural products, chemical products and the whole group of goods which are generally lumped together under the term "miscellaneous exports". In terms of value a considerable amount is involved here also. Thus, our agricultural exports have recently reached the level of about 500 million kronor a year and exports of chemical products now amount to 200 million kronor or more. Both these sections seem to have good future prospects. Although the major part of our farm exports will probably continue to take the form of cereals and butter, there are great possibilities for the development of exports of processed goods produced by the Swedish food-stuffs industry.

The share of exports in the output of the Swedish chemical industry is still relatively small, amounting to only 15 per cent. of the total value of production. There may be especially good prospects for the exports of medicines, for in this field Sweden can offer a number of original preparations. On the whole we may describe our chemical industry, not least in the field of synthetics, as highly promising from the export point of view, provided the obstacles to trade that still remain in the form of tariffs can be overcome. In the group of miscellaneous exports the trend is obviously in the direction of processed goods. As regards the exports of textiles, for example, there seems to be good prospects for high-quality ready-made garments, and our exports of industrial art products provide another basis for increasing sales abroad of highly processed goods.

Of the items in our foreign balance of payments other than exports of goods, an especially interesting section is represented by our earnings from the exportation of technical "know how", mainly in the form of licence agreements. The receipts reported to the Foreign Exchange Control Office through the commercial banks from licences and royalties amount to more than 50 million kronor a year. The actual figure, how-

ever, may be much higher, especially if account is taken of the large amount of technical aid which forms part of Swedish enterprise abroad and which it has not been possible to include in the amount just mentioned. As it is, the figure illustrates an interesting fact which we have been aware of for a considerable time, namely that our export of technical know-how is already earning for us considerable sums in foreign exchange. Our position as exporters of know-how — both in the technical and in the artistic field — is undoubtedly in process of expansion, but the major part of this activity still lies ahead.

Traditional Exports to Europe and Rising New Exports to Overseas Markets

In addition to the increasing trend in the direction of more highly processed goods, there is also a tendency for exports to be directed to overseas countries. It has already been mentioned that Sweden's exports of goods to overseas markets is now by no means inconsiderable, and this fact is also shown in greater detail in the tables below. In comparison with other European export countries, such as the United Kingdom, Western Germany and Switzerland, this share appears rather limited, and it is a fact that about 70 per cent. of Sweden's exports still go to Western Europe as compared with only about 30 per cent. in the case of Britain, for example. Our exports to Europe

Table 2. Non-European Exports in 1938 and 1953—54 from Some Countries. (In % of Total Exports).

	1938		1953		1954 Jan.-Aug.	
	Non-European	There-of to North and Central America	Non-European	There-of to North and Central America	Non-European	There-of to North and Central America
Sweden . . .	20	10	25	9	23	7
United Kingdom . . .	59	12	66	15	66	11
Western Germany . . .	28 ¹	5 ¹	33	9	34	8
Switzerland . .	28	9	42	21	40	16

¹ Pre-war Germany.



Table 3. The Regional Distribution of Swedish Exports. (In %).

	1901-4	1938	1950	1951	1952	1953	1954 Jan.-Sept.
Western Europe	85	74	66	65	69	70	73
Eastern Europe	11	6	7	7	7	5	4
North and Central America	0,2	10	8	7	7	9	7
South America	0	4	8	10	7	6	6
Africa	3	2	4	4	4	4	4
Asia	0	3	4	4	4	5	4
Oceania	0,2	1	3	4	2	2	2

generally cover the whole range of Swedish export products in the sense that industrial raw materials, semi-manufactures, and technical specialties all appear in the picture. Thus the highly industrialised countries in Western Europe still offer marketing possibilities for goods from the whole of the Swedish export programme, and this is not least true for highly processed goods.

When judging Sweden's future export prospects, however, we must take account of the fact that competition in Western Europe is increasing all the time. It has already been mentioned that in all West European countries the expansion of industrial capacity during recent years has been considerable. During the first half of 1954, for example, the industrial production of Western Europe was 8 per cent. above the figure during the first half of 1953. This increase in industrial production in Western Europe has led to the introduction of protective measures, especially of tariffs. In several of the larger countries, now that more and more quantitative restrictions are being removed, tariff policy is being used as an instrument of control, especially as regards imports of processed goods, and the consequences have been serious particularly for low-tariff countries such as our own, which has a considerable export of semi-manufactured and manufactured goods. In view of this, Sweden naturally follows with close attention the G. A. T. T. conference in Geneva, especially as regards the prospects of bringing about tariff reductions in the 34 participating countries or, at any rate, tariff ceilings in the different national customs tariffs.

It has been pointed out above that the production in the larger West European countries is increasingly tending to go in the direction of processed goods and that these countries are showing an increasing tendency to protect the industries producing these articles against foreign competition. For this reason, among others, it is desirable that Swedish exports should try to a greater extent than at present to find markets in countries outside Western Europe. Our new products, which in general are highly processed goods, should be able to find a sale not only in the traditional highly industrialised markets in Europe and North America but also in partially industrialised markets such as Turkey, South Africa and Brazil and to a certain extent in underdeveloped countries in Asia, Africa and Latin America.

A very important question for our exports, with their tendency to a higher degree of processing, is that of how far the underdeveloped countries can become really important markets for our processed goods. Whatever may be said about the term "underdeveloped" itself, these countries are at any rate underdeveloped in the sense that they have been given too little attention by Swedish exporters. As may be seen from tables 3 and 4, our exports to the underdeveloped areas are still of a relatively insignificant volume. This would seem to be understandable in view of the fact that the countries in question are, on the one hand, themselves producers of raw materials — with only limited requirements for raw materials which we produce — and, on the other hand, are in most instances short of capital and in any case have no considerable capital formation of their own. The possibilities of borrowing which are now open to these countries through the I. B. R. D. and other international organisations mean that their spending power — and thus our own exports to them — can be considerably expanded. In particular we should be able to deliver productive equipment, especially for electric power stations and in the machine section in general. Other commodities with good prospects in this connection are paper, medicines and foodstuffs, including agricultural products in various forms. Of course, increased competition is to be expected in exports to these



countries and in new ventures it would probably be wise for exporters, when choosing between larger and smaller underdeveloped countries, to concentrate on the smaller and medium-sized ones in order to get their products known and appreciated. In this connection Sweden's participation in the work of technical assistance has an important task to perform.

Table 4. Swedish Exports in 1938 and 1952-54 of Machines, Apparatus and Instruments (Tariff Categories XVI and XVIII) Distributed over Some Large Market Areas.

	1938		1952		1953		1954 Jan.-Sept.	
	Mill. Kr.	%	Mill. Kr.	%	Mill. Kr.	%	Mill. Kr.	%
Western Europe .	116	61	593	52	554	55	450	57
Eastern Europe . .	20	11	200	17	106	10	59	7
North America . .	6	3	54	5	56	6	56	7
Central America . .	4	2	25	2	42	4	20	3
South America . .	16	8	134	12	118	12	98	12
Africa, Asia and Oceania	28	15	138	12	137	14	111	14
Total	190		1 144		1 013		794	

Continued Rationalisation and Further Research Essential for Increased Exports

As regards the immediate future, Sweden's export prospects appear relatively good, with the traditional exports (mainly to Western Europe) continuing at a high level and the increasing spreading of Swedish exports to new markets. Our great raw materials, wood, pulp and iron ore, continue to deserve the title of "the signature goods of the 20th century" and the outlook for more highly processed goods also appears comparatively satisfactory. The hopes that may be cherished for the more distant future in the form of increased engineering exports, for example, should, however, be regarded realistically, partly in view of the decrease in trade during the last few years with many of the countries in the Eastern bloc. Taking a long-term view, we must

in any case expect an increasing amount of competition, which means that only the exporter who can offer the best article at a satisfactory price and can also provide increasingly better service can hold his own, whether as regards raw materials or as regards processed goods.

One objective for our export production, with its comparatively high manufacturing costs, would be to concentrate on producing high-quality products in sizable series as the British, for example, have done in their exports to North America. For this, however, as for keeping or extending our exports of processed goods, we must have an uninterrupted flow of creative activity in the technical field and a continued rationalization of production, as well as adequate scope for further research. In the atomic age it is a truism to say that developments in the technical field are proceeding with extraordinary rapidity; the progress in atomic energy is already so great that both the United States and Britain expect to have plants for civilian production driven by atomic energy in operation in a few years from now. It may be that a similar revolutionary importance will be acquired by new products and productive methods which are now taking shape both in research laboratories all over the world and in practical application. In the United States there are already examples of so-called "push-button factories" in which, so long as the machinery functions properly, the human contribution consists mainly in reading-off instruments and interpreting diagrams — a significant change in working methods which opens up fascinating perspectives.

Although we in Sweden are spending considerable sums on technical research at the present day, the total amount involved seems to be lower in this country than in some others. According to a report published by the OEEC in 1953, the share of research expenditure — exclusive of defence research — in the national product amounts to 0.5 per cent. in Great Britain and the United States and to 0.4 per cent. in the Netherlands, while the corresponding figure for Sweden is only 0.2 per cent. Thus our country is a long way down in the scale. Everywhere, however, the shares taken by research appear to be extremely



small when it is a matter of anything so important as preparing for the continually increasing competition which will certainly be particularly intensive in the technical field.

Increasing Importance of the Human Factors in Competition

It is certainly true that we can substantially increase our competitive capacity by further and intensified rationalization, but it is at least equally important to produce new and improved products. Thus, a very important task for the Swedish export trade in the coming decades will fall to those technologists who are doing designing and creative work. The success achieved by German exports, for example, can largely be ascribed to the work of capable German designers. The factor of industrial design will also gradually become more important with the tendency to rising standards in all parts of the world, and this applies not only to manufactured goods but also to machinery and other productive equipment.

It is true that the Swedish home market has been the main basis for the building up of our export trade in this century, during which it has been developed to a point where Sweden may properly be considered an important participant in the world's export trade. For certain goods, such as machinery, the domestic market has, however, not been sufficient as a basis for exports and we have had to have recourse to supplementary markets, such as our neighbouring countries and also Britain, when testing the ability of our export goods to survive in the more severe climate of international competition. One radical step would certainly be to extend our export basis by establishing a wider Scandinavian market.

As things are, however, the most important elements of production are not machines or robots but are to be found in the efforts made by the individuals engaged in production. We have spoken above about the importance of technologists. The people who create ideas — whether they are designers or salesmen — are the decisive factors in the export world, and the exporting

countries which can produce a sufficient number of such people are undoubtedly those which go furthest. For us in Sweden it is perhaps natural to make comparisons with Switzerland and to say that we, like the Swiss, should concentrate on continually expanding our exports of highly processed goods and also our export of ideas. We should therefore pay particular attention to the training of our engineers, our designers and — not least important — our export salesmen, who, after all, are the people who stand nearest to the customer.

To sum up, the future trend of Swedish exports points towards exports which are increasingly more highly processed and, from the geographical point of view, towards trade with countries outside Europe. The fact that these tendencies are the result of forces acting, to some extent, in the opposite direction, is obvious. A considerable share of the highly processed goods has — for natural reasons — their best marketing possibilities in the industrialized markets which, apart from North America, are of course chiefly to be found in Western Europe. It is therefore of importance that in to-day's situation — not least with regard to our cost situation and the rising exports of quality goods from other countries — we recognize both tendencies as direct hints for our future action. In our efforts to realize such a programme we should strive more purposefully than before to achieve concentration both as regards goods and as regards markets. Thus, we should give up working unnecessarily on too many kinds of production and instead direct our export production to those articles which it is really possible to sell to the increasingly exacting purchasers. We should also pay attention to those markets which show special receptivity for Swedish goods and for Swedish style in general. Quite often these countries, like Sweden, are among the smaller ones and may therefore appear less attractive during a transition period to the bigger exporting nations.

It may, of course, take a considerable time before we succeed in converting the future potentialities indicated here into realities. The Swedish



export trade of the present day is not something detached from the past: it is instead bound firmly to the past by the strong bands of habit and tradition, which are powerful even in this field. Nevertheless, during the coming decades the pattern of Swedish exports may well change under the pressure of the swift development of tech-

nique. The development may increase its pace and take a direction which is perhaps more favourable for us than ever before. For this, however, it is essential that the competitive factors on the human side — our technologists and export salesmen — should be of the highest possible standard.



ECONOMIC POLICY AND ECONOMIC DEVELOPMENTS IN NORWAY

BY PROFESSOR ERLING PETERSEN, OSLO

In a larger measure than most of the other West European States Norway has, during the post-war period, pursued an economic policy that aimed at stimulating investments. At the end of the war the country was faced by the heavy task of reconstruction. The destruction caused by the war had resulted in approx. one fifth of the real capital of the country having been lost. Even if there is still a great deal to be done in certain fields, the task of reconstruction properly speaking may be regarded as having been completed a long time ago. As regards investments, however, there has been no slackening of the former rapid pace at the end of the reconstruction period proper. During the years 1946—1953 the total of gross investments reached N.Kr. 47 000 million. In the long-term programme presented for 1954—1957 it is estimated that there will be further gross investments amounting to N.Kr. 32 000 million. These figures are very considerable in proportion to those usually met with in Norwegian economy. According to the National Budget the gross investments made during 1954 should reach N.Kr. 8 000 million, which is no less than 33 per cent. of the gross national product, *i.e.* the total production of goods and services in the country as a whole. Of the total investments, about one half may be regarded as net investments, *i.e.* investments that go to increase real capital.

According to the preliminary data available the investments made during 1954 will considerably exceed those foreseen in the National Budget. Thus, the greatest part of the increase in production which may be expected during 1954 will have been used for increasing investments.

In the last resort, the object of the large investments is naturally to increase production and thus

to create a basis for a higher standard of living. During the first post-war years the increase in production was fairly satisfactory, since the production index rose from 108 in 1946 (1938=100) to 138 in 1950. During the period between 1951 and 1953, however, the average increase in the total production did not amount to more than about 2 per cent. per annum. If one considers that one-third of the national income is used for investments, such an increase in production must be regarded as unsatisfactory. One must therefore ask whether the investments have been sufficiently productive. This is a problem which, in Norway, has increasingly come to the fore in economic and political discussions.

In 1954 the increase in production, which was greatly stimulated by the international boom, has been considerably greater; for the entire year it should amount to 5 per cent. This would correspond to a production level of 155 (1938=100), but it does not follow that the question as to the effect of investments on the increase in production has lost any of its interest.

As a matter of fact the comparatively very large investments have obviously, during the past year, brought a heavy pressure to bear upon Norwegian economy. This has found expression both in the way prices have developed and in the situation *vis-à-vis* foreign countries. One may say therefore that the pressure of demand finds expression both in a pressure on prices and on exchange reserves.

Within the framework of European co-operation a Norwegian four-year plan was presented in 1948. This plan aimed at creating equilibrium in the foreign exchange situation as from 1952. Incidentally, equilibrium in the current balance of



payments for that year was also practically achieved, as the deficit was inconsiderable. This result may, however, be regarded as an effect of the Korea boom, which, during the preceding year, had even resulted in a surplus in the Norwegian balance of payments. The relatively favourable results obtained in 1952 did not therefore imply that lasting stability had been achieved in this field. In 1953 the foreign exchange deficit increased rapidly once more, reaching close upon N.Kr. 1 000 million. During 1954 the drain on foreign exchanges has not been slowing down, and there is a risk that the deficit in the balance of payments may exceed that of the preceding year. What, in this connection, gives rise to the gravest misgivings is that, in this sphere, no stabilising tendencies are discernible. There is thus no possibility within a comparatively near future of approaching a balance vis-à-vis foreign countries.

Investment operations — as much as one fourth of which refer to shipping — being as active as they are at present, it cannot be regarded as directly dangerous for a country like Norway partly to finance capital-formation by the aid of foreign loans. Compared to the economic strength of the country the foreign debt is actually not particularly large and, compared to the national income, it is, in spite of the serious deficit in the balance of payments of recent years, smaller than before the war. The big question is, however, to what extent suitable loans may be obtained. It is a well-known fact that, with the exception of the international institutions granting various credits, the international loan market is neither particularly active nor particularly extensive.

To-day the considerable outflow of foreign exchanges and the doubts as to the possibility of obtaining sufficiently large foreign loans constitute the most essential factors of uncertainty in Norwegian economy. If it should prove impossible to take up new loans, and if, moreover, the country should be forced to effect payments on a number of shorter-term credits obtained during recent years, a pronounced change in the foreign exchange policy would become inevitable. As yet it is not clear what the tenor of such a possible modified policy would be. There is reason to as-

sume, however, that Norway would withdraw from the international work of foreign exchange liberalisation only as a last recourse. The measures which are required to relieve the pressure on the foreign exchange reserves will therefore have to be taken in the field of domestic economy.

While — with the exception of two years, 1951 and 1952 — the pressure on the exchange reserves has more or less made itself felt during the entire post-war period, the press on the price-level has varied exceedingly. The rapid increase in prices which set in in 1950, as a result, partly, of the abolishing of domestic subsidies, and partly owing to rising prices on the world market, did not come to a standstill until the end of 1952, when the cost-of-living index reached the figure of 136 (1949 = 100). In July, 1953, however, prices rose once more, and, by August, 1954 the cost-of-living index had risen by 10 points, *i.e.* from 135 to 145. This rise in prices appeared during a period when import prices were actually declining. In 1952 the index of import prices was 136, in 1953 — 127, and during the first half of 1954 — 122 (1949 = 100). One was therefore justified in seeking within the country for the cause for the rise in prices. In this connection it has undoubtedly been of a certain significance that, during the post-war period, the Norwegian price control based its calculations on prime costs and not on replacement costs. The inevitable result of such a method of calculation is a lagging behind of retail prices. It will thus take a considerable time before the lower import prices affect the cost-of-living index. If, simultaneously, trends towards appreciably higher prices assert themselves within the country, the effects of falling import prices may fail altogether to make themselves felt.

Since August, 1954, the cost-of-living index has declined somewhat, partly for seasonal reasons. As a consequence the interest felt in the development of prices has not, however, diminished. During the wage negotiations that took place in the spring of 1954, wages, after certain rises had been agreed on, were frozen for two years, however, with adjustments in accordance with possibly occurring changes in the index after 12 and 18 months. The critical point will be reached if the



cost-of-living index reaches 146, the basic point being an index figure of 139, with a margin of 7 points. A great deal of alarm was felt when, as early as in August, it appeared that the index figure had already reached 145 and thus was only one point short of the critical figure.

Between the second quarter of 1953 and the second quarter of 1954 real wages were raised by almost 3 per cent., but if the index reaches 145 or exceeds that figure, the advantages implied in this rise would be lost.

There are many signs to indicate that, after a short pause, the price-level may be on the upward move once more. Special measures for preventing a further rise in prices have therefore repeatedly been discussed. The Prime Minister has, on his own initiative, embarked on negotiations with all the principal organisations of Norwegian economic life in order to ensure their collaboration in the fight against the rising prices. The results of such an action, however, are uncertain. In making these efforts attention has mainly been concentrated on the profit margins of business enterprises, while costs and, in particular, their connection with economic policy, do not come into the picture to the extent required.

In the opinion of the Opposition the economic policy pursued by the Government leads to an inflationary economy and to an excess of demand. It is here, therefore, that one should look for the principal cause for the rise in prices.

As one of the guiding principles of the long-term programme of the Government it is stated that, as far as possible, economic problems should be solved by monetary and financial means. This would imply that, in the first place, one should attempt to solve the problem of equilibrium by practising an active monetary and credit policy. In spite of the rising prices and the heavy drain on exchange reserves nothing essential has, however, been done in this sphere during 1954. The policy of a low rate of interest is still being maintained, with a discount rate of $2\frac{1}{2}$ per cent., even if a certain sliding tendency has been ob-

served on the bond market. The new law obliging commercial banks to hold reserves at the Central Bank has not been applied in practice, and the burdensome financing of the activities of the State Banks continues. There has been no contraction on the credit market.

On the whole it may be said that, viewed in the light of the serious developments in the sphere of prices and foreign exchange, not only the monetary policy but the entire economic policy has been markedly passive during 1954.

After a hard political struggle a permanent price-law investing the Government with extremely far-reaching powers was adopted in Norway in 1953. This new price-law took effect on January 1st, 1954. Up till now, however, it has been applied to a very limited extent only. In connection with the adoption of this law the previous price regulations were extensively relaxed, and maximum prices were abolished in respect of most kinds of goods. At the same time much was expected in many quarters of the possibilities which the free formation of prices would imply, as regards lower prices following upon free competition. It is clear that both the Government and the Government Party have been greatly disappointed on finding that, during 1954, the immediate effects of competition did not make themselves felt to any marked degree. So far it has not been admitted that the inflationary atmosphere in the country prevents competition from making its influence clearly felt in the shape of lower prices.

In some quarters, mainly among the Communists and members of the left wing of the Government Party, the demand has been voiced that the powers granted by the price-law should be utilized to carry through the regulation of retail prices. It is hardly likely, however, that the responsible authorities will enter upon such a road and systematically carry out the fixing of maximum prices. The negative experience gained — especially during the years after 1950 — would seem to preclude this.



THE ECONOMIC SITUATION

The quite notable improvement in the Swedish economic situation beginning in the course of last year was further accentuated during the last months of the year, which kindled a debate — at times a most lively one — on the risk of excessive demands being made on the resources and also on the question what means should be employed to meet an inflation arising therefrom.

The impelling forces behind this improvement in the situation have first and foremost been the increased building and investment activities in the business community and also the favourable export trend, added to which is the sharply rising spending power of the consumers. The upswing has chiefly made itself felt in the capital goods and export industries. In the field of some consumer goods industries, on the other hand, trends have been far from favourable.

According to the calculations made by the Swedish Institute of Economic Research, last year's economic expansion brought about an increase in total demand by about 5 per cent. Because of deficiencies in the statistical material, the calculations of the trend of the balance of resources are very approximate, but they nevertheless imply that during 1954 there was an expansion of expenditure, which tended to become larger than available resources allowed. An investigation into the various spheres which usually indicate disturbances in the economic balance of the community — prices, foreign trade, the labour and credit markets. — does not, however, show that any serious disturbances of the equilibrium occurred in 1954. An increase in the volume of imports amounting to 13 per cent. from 1953 to 1954 may, however, indicate a clear warning against the resources being overtaxed.

Roughly speaking, the price level has been stable with advances in the prices of some goods offsetting reductions in the prices of others. In view of the rise in productivity which occurred in the economic life during the year, the comparatively

insignificant price reductions which have been brought about are, however, an indication of the fact that a heavy pressure of demand has been in existence. It deserves being underlined that price trends will react relatively slowly in case of a domestic disturbance of the balance. To put off the introduction of measures stabilizing the equilibrium until rising prices turn the scales still more is very likely to wait too long.

Foreign trade, for instance, has expanded considerably in the past year. Imports have increased more than exports, but the balance of current payments is estimated to have left a small surplus. Thus, trends also in this sphere will for the most part indicate that equilibrium exists, but the trend towards a deterioration in the foreign exchange situation is perceivable. Towards the end of the year there was a marked increase in the rate of imports. This trend towards rising imports made itself felt also in the developments of the foreign exchange reserves. In the last months of the year there was a gradual draining off of the foreign exchange reserves, which otherwise will normally be replenished during that period.

In the labour market the advancing economic activity has brought about a considerable rise in employment, particularly in the export and capital goods industries, which has produced some shortage of labour, particularly of skilled workers. This shortage of labour has also in most branches of industry brought about considerable wage adjustments on top of the rates laid down in the collective agreements which has resulted in an uneven development of the wage situation and thus created tension between different categories of wage-earners. Even though during the last months of the year it was not possible to speak about any real over-full employment, it is no doubt about it that the situation in the labour market may be described as very near the level when all available resources are employed.

Also the trend in the credit market reflects the



upswing. During the period January—November the advances of the commercial banks to the public increased by no less than Kr. 1 228 million, chiefly as a result of increased demands for credit on the part of the house-building sector and business life generally.

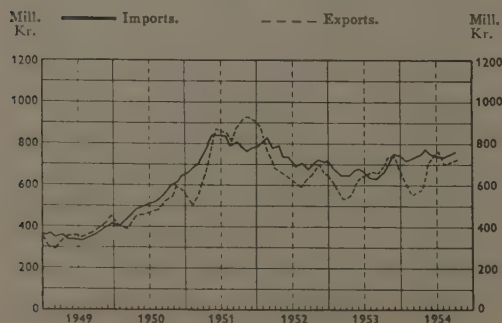
The policy of the Government to check the high economic activity has so far mainly been conducted on two lines. First, the long-term rate of interest has temporarily been raised by $1/2$ per cent. through the issuance of a 4 per cent. Government loan in the middle of October. The effects of this advance were not, however, permitted to make themselves felt in all sectors but were chiefly restricted to business credits. Secondly, the Government has endeavoured to bring a downward pressure to bear on prices, for one thing by means of an increased liberalization of imports from the dollar area, and, for another, by price-reducing actions instituted by the Price Control Board. For the present year the Government has, in addition, announced strict restraint on new investment both in the public and the private sector.

Whether the business-checking measures so far introduced will be sufficient only time can prove. Developments in the present year will to a very large extent depend upon the outcome of the wage negotiations at present under way. The demands for general pay boosts so far put forward are, at least in some sectors, quite substantial. This year's wage negotiations will in all probability be much more difficult than those of last year. Which effects a general wage increase beyond the limit

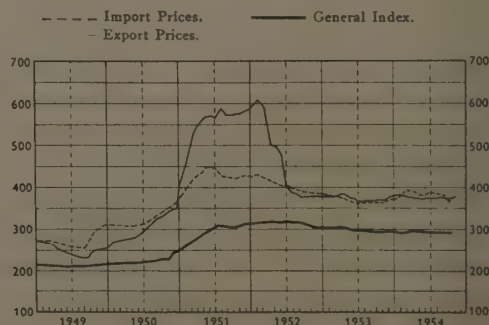
of the rise in productivity will have, will to a very large degree depend on how things develop abroad. Supposing that the international price situation will on the whole remain unchanged — which probably is quite likely, at least in the short run — it will in many sectors not be possible to compensate for increased wages by a rise in prices as a consequence of the foreign competition. Instances of such sectors are presented by the textile industry and the iron and steel industries. In other sectors, which are protected against foreign competition, *e.g.* farming, commerce and various branches of public activities, an advance in wages will automatically lead to upward price adjustments for goods and services, although with some time-lag. The net effect of such wage and price movements will depend not only on the amount of the wage rises, but also on a great number of other factors. As a result there may arise considerable difficulties for the economic life at large, leading to a falling off in employment or perhaps limiting their effect to the exertion of some pressure on our foreign exchange reserves. To a large extent developments will depend on the economic policy adopted by the Government.

Last year brought a rapid increase in the rate of production of the Swedish industry. After some stagnation in 1951—53, an expansion started in the autumn of the last-mentioned year continuing during 1954. During last year's first three quarters industrial production was about 5 per cent. above the one during the corresponding period of 1953. The increase is particularly perceptible in

Foreign Trade. (Million kr.)
(Current 3-months averages.)



Wholesale Price Index of the Board of Trade.
(1935 = 100.)





the wood-processing industry. The more favourable marketing conditions have made an increase possible in the production of the pulp and paper industry which during last year's first three quarters was 16 per cent. higher than a year ago. This means that the record level of 1951 was very likely passed in 1954. In respect of pulp, demand has risen both for domestic and export deliveries and production has not been sufficient to cover requirements; thus there has been some reduction in inventories. Also the wood industry was characterized by increased activity and sales of timber for shipment during 1954 will probably have exceeded 800 000 stds.

An important exception from the general rise in production was presented by the mining industry which reduced its output as a result of a diminished foreign demand. During the last months of the year, however, there was some recovery showing a rising demand from abroad. During the second half of the year there was also a change for the better in the iron and metal industry which, among other things, made itself felt in increased backlogs of unfilled orders and in a level of production 7 per cent. higher during the third quarter of last year than during the corresponding period of 1953. The high investment activity in industry and house-building and the need to boost inventories has stepped up the domestic demand for iron and metal products. Iron and steel exports have, however, recovered at a somewhat slower pace.

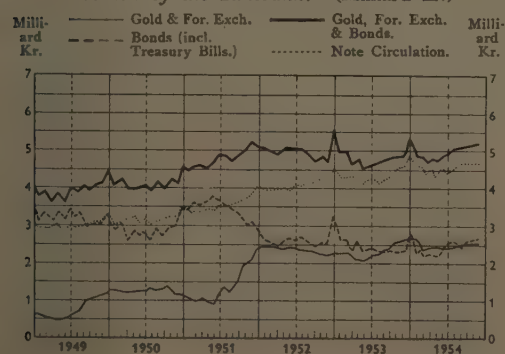
The production of the engineering industry has

risen uninterruptedly in the course of last year. During the third quarter of the year, employment in this sector was 6 per cent. higher than during the same period in 1953. The increased activity in this industry was, to begin with, due to the influx of export orders, but later also to the rising investment activity and the public's stepped up demand for durable consumer goods, particularly motor-cars. In the shipbuilding industry the backlog of orders has again increased during 1954 and the volume of delivered tonnage is expected to exceed to some extent that of 1953. At the turn of the year the level of employment was very satisfactory, but the prospects of a further expansion were limited by the shortage of manpower.

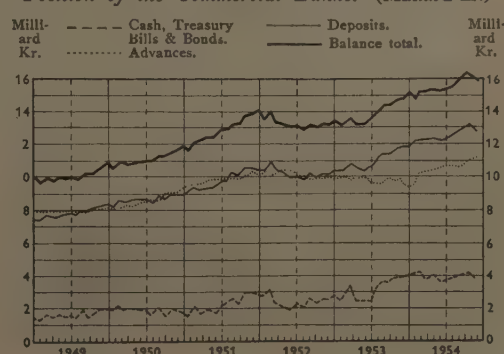
The shipbuilding industry has been stimulated by the improved position of shipping. Thus in recent months there has been an ample supply of cargoes for the tramp trade and freight rates have been rising. The trend has not, however, been as favourable to the liner companies where, roughly speaking, receipts have been unchanged while costs have risen.

In the consumer goods sector a depressed situation has partly prevailed and the textile industry in particular has had to put up a hard fight against foreign competition and a stagnating demand for textiles within the country. During the autumn the Institute of Economic Research circulated a questionnaire the replies to which showed that the profit-earning capacity of the weaving, spinning, and tricot weaving mills was unsatisfactory in

Position of the Riksbank. (Milliard kr.)



Position of the Commercial Banks. (Milliard kr.)





about 80 per cent. of the companies, while the ready-made garments manufacturers put the figure at 40 per cent. In recent years the production of the textile industry has fallen off slowly by on an average 1 per cent. a year during the period 1950—53.

The information now available on last year's industrial investments is utterly incomplete. According to an inquiry made by the Federation of Swedish Industries, industrial investments in buildings and plant during last year are estimated to exceed the previous year's figure by 7 per cent. Also in the public sector the investment level seems to have been not inconsiderably above the one ruling in 1953. House-building has continued to expand and the addition of new dwelling-units is estimated at 55 000 in 1954 compared with 52 000 in 1953.

Total agricultural production last year probably rose somewhat compared with 1953 in spite of the unfavourable weather conditions during the summer. The production of cereals reached an aggregate quantity of 1.34 million tons which is about 4 per cent. more than during 1953 and considerably exceeds the domestic demand, particularly in respect of wheat. There are also surpluses of several other farm products, *e.g.* butter. The total amount of surplus agricultural production which normally will have to be exported is estimated at around Kr. 400 million at current prices. The disposal of such surpluses has previously caused some headaches, but last year the marketing possibilities improved somewhat, not the least

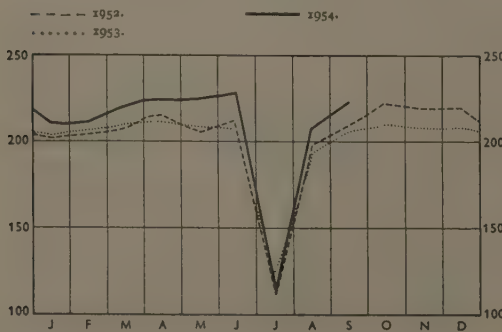
through the new trade agreements with Western Germany and Great Britain.

As has been mentioned above foreign trade has expanded heavily in 1954. During the first eleven months the export value was 7 per cent. and the import value 12 per cent. higher than during the same period in 1953. In both cases the prices have been somewhat below the 1953 level, and therefore the increase in terms of volume was somewhat larger than in terms of value. Last year's balance of current payments is expected to leave a small surplus, say, Kr. 50 million, or considerably less than in 1953. The import and export figures are stated in the following table:

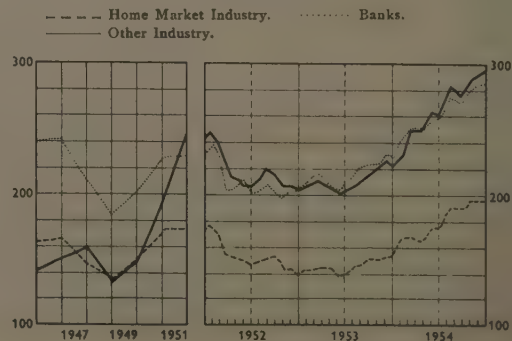
	Imports	Exports	Import Surplus
	(Million kronor)		
Jan.—Nov. 1950	5,502	5,085	417
» » 1951	8,518	8,247	271
» » 1952	8,182	7,350	832
» » 1953	7,384	6,937	447
» » 1954	8,261	7,405	856

The rise in imports is to a certain extent due to the large importation of motor-cars. This importation, which during January—November amounted to about 8 per cent. of total imports, increased last year by around 70 per cent. compared with the same period in 1953. Imports of metals, iron and machinery has risen through the stepped up investment activities and increased inventories within the country. Further, imports of coffee have required increased amounts of money due to the rising prices.

Production Index of the Federation of Swedish Industries. (1935 = 100.)



Share Index.





As mentioned above the rise in exports has not been as large as the one in imports. Both in respect of iron ore and iron and steel, exports during the first ten months last year did not reach the level of 1953. The same is also applicable to newsprint, while exports of paper pulp in terms of value showed a considerable increase.

Exports of Some Important Products.

	Jan.-Oct. 1954		Change in % on 1953	
	Volume	Value mill. kr.	Volume	Value
Iron-ore, mill. tons	11.6	617.1	- 7.2	-18.5
Rough sawn timber, 1 000 m ³	3,092.5	686.8	- 7.4	- 3.2
Other timber goods, 1 000 m ³	1,735.7	210.6	+27.6	+ 6.5
Mechanical pulp, 1 000 tons	287.1	100.5	+20.9	+25.2
Sulphite pulp, 1 000 tons	924.2	677.8	+ 9.1	+17.0
Sulphate pulp, 1 000 tons	609.5	401.7	- 1.6	+11.3
Newsprint, 1 000 tons	146.8	98.0	-12.9	- 8.6
Other papers and card- boards, 1 000 tons	478.2	463.7	+17.2	+18.5
Pig iron, 1 000 tons	71.1	44.9	-13.5	- 0.0
Merchant iron and steel, 1 000 tons	110.5	234.9	- 5.1	-11.6

Among the engineering products deliveries of ships and office machines have risen particularly markedly during 1954 which is evident from the following table:

*Exports of Some Important Engineering Products
(mill. kr.).*

	Jan.-Oct. 1954	Change in % on 1953
Ball and roller bearings	91.7	- 4.1
Engines	44.7	- 8.1
Electric generators and motors	82.4	+14.9
Telephones and telegraph apparatus	68.4	- 3.5
Office machines	73.5	+23.2
Freighters	456.0	+56.7

As regards the distribution of Sweden's external trade by countries last year, it deserves to be mentioned that the exchange of trade with Great Britain, our foremost trading partner, was rather well balanced, while the export surpluses with Norway and Denmark rose still more. There were, however, increased import surpluses with

Western Germany, the United States and the Netherlands. On the 1st October, considerable liberalizations of imports from the dollar area were introduced. In the first place, the list of goods which may be imported without a licence, has been extended so that it now covers goods which in all made up one-third of our total imports from the dollar area in 1953. The new free list includes as well consumer goods (*e.g.* dried fruit and tinned foodstuffs), important raw materials and semi-manufactures (*e.g.* cotton, iron and steel products, chemical products) as also capital goods (*e.g.* machinery, appliances and electrical materials). Secondly, the authorities have declared that they are willing to allow importation of a number of other goods (tobacco, coal and coke, crude rubber, cameras, etc.) against payment in so-called transit-dollars which can be bought from the Swedish banks at a premium of about 3 per cent. It is yet too early to decide which effects these liberalization measures may have on our trade with the dollar area. The demand for transit-dollars from the banks was, however, rather poor during the last quarter of 1954 which might indicate that the interest in increased imports from the United States is not very great. The rising surplus of imports from this country during the period January—September is mainly a result of reduced Swedish exports as is shown in the following table:

*Foreign Trade with Some Important Countries.
January—October 1953 and 1954. (Mill. kr.)*

	Imports		Exports		Trade Balance	
	1953	1954	1953	1954	1953	1954
Great Britain	1,100	1,214	1,186	1,244	+ 86	+ 30
Western Germany	1,210	1,470	730	824	-480	-646
Netherlands	405	521	358	399	- 47	-122
United States	566	582	435	329	-131	-253
Norway	225	264	502	640	+277	+376
France	320	375	297	318	- 23	- 57
Denmark	188	232	362	452	+174	+220
Belgium	322	384	300	281	- 22	-103
Brazil	232	265	185	236	- 47	- 29
Italy	193	238	164	208	- 29	- 30
Switzerland	167	177	101	80	- 66	- 97
U. S. S. R.	38	102	86	90	+ 48	- 12
Finland	55	66	86	120	+ 31	+ 54
Australia	62	53	77	109	+ 15	+ 56
Eastern Germany	40	60	42	84	+ 2	+ 44



In spite of the fact that the balance of trade with the dollar area deteriorated last year, current payments in this currency have produced a surplus. Sweden has, in addition, received certain dollar amounts in connection with the settlement of Sweden's surplus with the European Payments Union. During last year our gold and dollar balances rose by Kr. 443 million, while at the same time the total amount of the foreign exchange reserves declined somewhat. Thus, the trend last year brought about a better composition of the exchange reserves from the point of view of liquidity. With a view to strengthening the exchange reserves against the heavy demands to be expected during the present year, the Swedish Debt Office raised a loan in Switzerland for Sfr. 50 million in the middle of November. Thus, two loans were raised in the Swiss capital market last year.

Foreign Exchange Reserves.

	1953		1954	
	31/12	30/6	30/9	31/12
	(million kronor)			
The Riksbank				
Gold and dollars . . .	1,147	1,389	1,597	1,760
Gold and dollars under EPU agreement . . .	419	294	334	249
EPU currencies . . .	970	761	564	422
Other currencies . . .	85	43	74	43
Total	2,621	2,487	2,569	2,474
Commercial banks	+3	-126	+18	.
Total	2,624	2,361	2,587	.

The Credit Market. Last year's trend in the credit market deviated considerably from the trend of the same period in 1953. During the period November, 1953, to November, 1954, total advances to the public from the commercial banks rose by no less than Kr. 1 259 million, while the corresponding figure of the previous year showed a reduction by Kr. 16 million. As to the trend of deposits, on the other hand, the difference is not as large. From November, 1953, to November, 1954, deposits from the public rose by Kr. 1 035 million, while the increase during the immediately preceding 12-month period amounted to Kr. 1 652 million.

Last year's vigorous expansion of the credit granting of the banks was to a very great extent due to increased advances for housebuilding pur-

Distribution of Bank Credits by Branches of Production (mill. kr.).

	Nov. 1953	May 1954	Nov. 1954	Change Nov. 1953-Nov. 1954
Industry	2,108	2,215	2,246	+ 138
Wholesale and retail trade and services .	2,179	2,322	2,423	+ 244
Shipping and transport	310	351	370	+ 60
Insurance and finance .	271	330	274	+ 3
Local authorities . .	94	59	65	- 29
Agriculture	392	415	423	+ 31
Building	871	1,085	1,339	+ 468
Housing credits . . .	2,326	2,352	2,448	+ 122
Miscellaneous credits .	966	1,026	1,045	+ 79
Total	9,517	10,155	10,633	+ 1,116

poses. As the above table shows building credits increased by Kr. 468 million and housing credits by Kr. 122 million during the period from November, 1953, to November, 1954. The last-mentioned increase may perhaps to a large extent be explained by the circumstance that towards the end of the period the banks experienced greater difficulties in having their building credits for completed houses transferred from them because of the fact that the mortgage institutions, savings banks, and insurance companies were not able to grant first mortgages to the degree expected. Also the credits to the service companies and business generally indicate a rather considerable increase, while the rise in industrial credits is quite insignificant considering last year's increased investment activities.

Position of the Commercial Banks.

	1953		1954		
	Nov.	Dec.	June	Oct.	Nov.
Assets (mill. kr.)					
Cash	401	646	475	414	390
Treasury bills . .	1,778	1,482	1,312	1,664	1,187
Swedish bonds . .	1,762	1,863	1,900	2,029	2,134
Advances	9,900	9,932	10,742	11,007	11,159
Banks abroad . . .	307	314	230	295	312
Sundry accounts	1,692	790	734	744	780
Total	14,840	15,027	15,393	16,153	15,962
Liabilities (mill. kr.)					
Deposits	11,817	11,839	12,266	13,116	12,852
Banks abroad . . .	310	321	361	286	282
Share capital and reserve funds .	1,153	1,153	1,154	1,154	1,154
Sundry accounts	1,560	1,714	1,612	1,597	1,674
Total	14,840	15,027	15,393	16,153	15,962



The rise in the long-term interest rates of bonds, which occurred in the middle of October, had only limited effects on the interest rates of the commercial banks. The credits to the housing sector were, by and large, left untouched, while some upward adjustments were made in respect of the interest rates of credits to business in general. As to deposits, the interest rate applied to deposit accounts subject to 14 days' notice was raised by 1/4 per cent. to 1 per cent. Among the other increased interest rates in the credit market may be noticed the rate applied to first mortgages which was raised by 0.1 per cent. to 3.7 per cent.

The Bond Market. During the autumn months the capital market was entirely dominated by the Government's borrowing operations. After an extensive period of borrowing during September—October on 15-year bonds at 3 1/2 per cent. and on bonds with earlier maturities, a new 15-year Government loan carrying 4 per cent. per annum interest was quite suddenly issued in the middle of October. There had hardly been any signs before that of any tightening trend at all, and therefore the Government's offer came as a surprise to the market, causing a general fall in prices and an adjustment to the 4 per cent. level. When it fairly soon became evident that the Government's offer was of a non-recurrent nature and was not to cause a general upward adjustment of the interest rates of the banks, bond rates again advanced and after the lapse of only one month or so the rate of interest settled on a level about 1/4 per cent. lower. Thus, by mid-December the yield on 3 1/2 per cent. loans was close to 3 3/4 per cent. throughout. Judging from the keen interest — in five days about Kr. 650 million was subscribed — considerable amounts have probably been invested for relatively short periods in the 4 per cent. loan. The insurance companies, which had committed themselves heavily in the 3 1/2 per cent. Government loan, were able to make large investments in the new loan thanks to the fact that the term of payment had been extended to the 10th March of the present year. The insurance companies were, however, joined by a large number of other categories of investors. Unusually large amounts were subscribed by *i.a.* industrial

and other companies and by private investors. A consequence of the vast governmental borrowing and the extended periods of payment is that there is probably no room for further borrowing until well on into the present year. Besides the mentioned Government loans only a 10-year 4 1/2 per cent. loan against promissory notes for Kr. 15 million on behalf of the Norrbotten Iron-Works has been placed gradually in the market during recent months.

In the middle of November the Swedish Debt Office raised a loan on the Swiss capital market on the same terms as last spring, *i.e.* a loan amount of Sfr. 50 million at an interest rate of 3 3/4 per cent. and a currency of 15 years with the right to redeem the loan after 10 years.

Yield on Short-Term Loans.

	1952 Dec. 15	1953 Dec. 15	1954			
			Mar. 15	June 15	Sept. 15	Dec. 15
Shortdated bonds:			per cent.			
1 year	3.10	2.50	2.50	2.50	2.65	2.70
2 1/2 years	3.25	2.60	2.50	2.50	2.80	3.05
Longer periods	3.35	2.90	2.90	2.90	2.95	3.15
Treasury bills:						
Up to 3 months	2.0	1.7	2.0	1.7	1.7	1.8
Day-to-day loans:						
1 day's notice	2.5	2.25	2.25	2.25	2.00	2.25

The Stock Market. The firm trend of prices, which has characterized the Stock Market since mid-1953, lasted all through 1954. The demands for increased wages which were raised before the start of the approaching collective bargaining proceedings, caused certain misgivings during October about a new inflationary trend which made the share prices still firmer. It is true that the issuance of the Government 4 per cent. bond loan brought about a sharp downward adjustment of the bid prices of the share market; however, at the lower level the interest to sell was insignificant and the losses were quickly recovered. When the negotiations between the Riksbank and the financial institutions did not give rise to a general increase in interest rates, the earlier bullish trend reappeared. The reports on the collective bargaining and employment situations and on the satisfactory profit position generally had a stimulating effect on the stock market. Prices



on domestic industry shares rose by 26.4 per cent. from mid-December, 1953, to the same time last year. During the same period the rise in prices for other industrial shares amounted to 30.2 per cent. and for bank shares to 24.3 per cent. The yield as a percentage of the market prices for a selection of representative securities is given in the following table:

	1953		1954			
	Dec.	Sept.	Oct.	Nov.	Dec.	
	15	15	15	15	15	
5 wood-processing companies	3.9	3.2	3.0	3.0	3.0	
■ wood and iron industries	3.6	3.2	3.0	3.1	3.0	
5 exporting engineering companies	5.7	4.5	4.3	4.3	4.2	
4 leading banks	4.4	4.2	4.1	4.0	3.9	

In the beginning of December 20 000 shares in the Investmentaktiebolaget Kinnevik (Kinnevik Investment Company, Ltd.) were issued at a price

of Kr. 155.—. From the outset these shares met with a very great demand and immediately upon their issuance they were quoted at 210—215 paid.

Bonus Issues.

Investmentaktiebolaget Kinnevik (Kinnevik Investment Company, Ltd.)	1 new for 2 old shares	Kr. 5.8 mill.
AB Malmö Förenade Bryggerier (Malmö United Breweries, Ltd.)	1 » » 4 » » » » 1.3 »	
AB Stockholms Bryggerier (Stockholm Breweries, Ltd.)	1 » » 2 » » » » 19.72 »	
AB Bofors	1 » » 2 » » » » 22 »	

New Issues.

Investmentaktiebolaget Kinnevik (Kinnevik Investment Company, Ltd.)	1 new for 4 old shares at Kr. 100.—.	Kr. 2.90 mill.
AB Bofors	1 new for 2 old shares at Kr. 120.—.	Kr. 22 mill.

*Some Statistical Data on Sweden's Economic Position.*

I. THE RIKSBANK. (Amounts in million kr.)

Assets														Liabilities							
Gold and Foreign Exchange Reserves						Bonds and Treasury Bills		Domestic Bills		Other Advances		Note Circulation		Sight Deposits							
Gold ¹	Foreign Exchange ²	Total												State	Commercial Banks	Other	Total				
1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954
1 332	751	2 083		106		13		37		1 061		418		428		3		849			
362	828	1 190		3 184		26		112		3 288		467		361		79		907			
465	688	1 153		3 443		21		188		3 513		511		312		44		867			
785	1 594	2 379		2 821		21		226		4 090		528		522		60		1 110			
954	1 350	2 304		3 240		49		272		4 577		449		558		22		1 029			
1 130	1 491	2 621		2 786		46		311		4 835		303		180		2		545			

Market value. — ² Net claims on foreign countries.

II. COMMERCIAL BANKS. (Amounts in million kr.)

Cash	Swedish Bonds ¹	Advances			Deposits	Deposits over Advances	Net Claims on Foreign Countries	Distribution of Loans on Types of Security (in %)			
		Domestic Bills	Thereof Redisc.	Total Advances				Mortgages	Personal Guarantee	Shares	Bonds, merchandise, &c
1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954
601	190	1 163	0	4 338	4 260	-78	95	58.4	13.8	15.3	12.6
686	1 271	1 820	—	8 098	8 399	301	-201	58.5	20.2	7.0	14.3
681	1 107	2 126	—	9 240	8 930	-310	-392	58.8	20.9	6.6	13.7
936	1 849	2 641	—	10 175	10 513	338	-492	57.8	20.9	6.4	14.9
999	1 716	2 431	—	9 848	10 358	510	-131	57.8	21.6	6.4	14.2
646	3 345	2 478	—	9 932	11 839	1 907	95	61.0	19.7	6.2	13.1

Including Treasury Bills.



III. OTHER CREDIT INSTITUTIONS. STOCK EXCHANGE.

Year or Month	Savings Banks						Deposits at the Post Office Savings Bank ¹		Bank Clearing Turnover at the Riksbank		Turnover of the Postal Cheque Service		Yields on Bonds ²				Turnover at the Stock- holm Stock Exchange ³				Share inde	
	Deposits ¹		Advances ¹		Bonds ¹		Million kr.	Million kr.	Million kr.	Million kr.	Million kr.	Govt. Loans %	Industrial Loans %	Bonds		Shares		Home Industries	Indu			
	Million kr.	Million kr.	Million kr.	Million kr.	1 000 kr.	1 000 kr.																
1938	3 685	3 069	829	618	31 380	24 986	2,32	2,92	243	931	146											
1949	7 060	6 481	911	2 083	88 548	152 383	3,04	3,02	429	446	139											
1950	7 437	6 994	879	2 143	109 313	167 415	3,16	3,10	354	763	158											
1951	7 802	7 341	820	2 325	149 126	203 009	3,27	3,40	646	787	172											
1952	8 458	7 934	865	2 633	172 186	240 900	3,31	3,62	298	583	152											
1953	9 081	8 562	915	2 846	157 573	256 280	3,30	3,72	294	536	146											
	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954		
Jan.	.	.	.	.	2 669	2 876	13796	14506	23 860	26 672	3,33	3,23	3,81	3,60	211	274	633	821	142	163		
Feb.	.	.	.	.	2 702	2 892	11299	11462	19 650	15 609	3,33	3,22	3,79	3,59	191	362	669	815	145	168		
Mar.	8 918	9 565	8 131	8 786	2 714	2 893	13167	15146	23 470	30 336	3,33	3,22	3,77	3,58	182	438	528	892	144	165		
April	.	.	.	.	2 718	2 888	12083	12829	16 334	17 658	3,32	3,22	3,79	3,61	208	261	469	784	142	167		
May	.	.	.	.	2 709	2 875	15459	15081	28 645	31 189	3,31	3,22	3,79	3,61	263	420	568	995	139	175		
June	8 943	9 569	8 275	8 937	2 715	2 877	12468	15083	16 610	18 610	3,32	3,22	3,80	3,65	181	275	519	891	140	174		
July	.	.	.	.	2 742	2 898	14271	16575	26 122	28 952	3,32	3,22	3,80	3,62	132	205	391	836	146	185		
Aug.	.	.	.	.	2 701	2 917	10340	11367	13 836	14 997	3,30	3,23	3,66	3,63	307	198	433	901	147	192		
Sept.	9 068	9 685	8 419	9 075	2 766	2 924	13447	15609	25 290	27 334	3,30	3,23	3,62	3,70	274	200	581	623	149	191		
Oct.	.	.	.	.	2 785	2 944	12416	14064	17 136	18 461	3,29	3,65	3,62	4,14	319	237	501	948	151	190		
Nov.	.	.	.	.	2 794	2 948	13848	16532	25 407	28 268	3,28	3,48	3,62	3,85	429	287	500	824	154	197		
Dec.	9 081	8 562	915		2 849	2 950	14943	17636	19 920	21 872	3,23	3,40	3,60	3,77	832	353	610	739	155	186		

¹ At the end of each year or month. — ² Calculated on market prices at middle of months. The yearly figures represent averages of the monthly figures. — ³ Averages per Stock Exchange business day.

IV. OTHER STATISTICAL DATA.

Year or Month	National Debt ¹		Foreign Trade					Pro- duction Index ² 1935 = 100	Unemployment in the Trade Unions ³ %	Whole Sale Price Index (1935 = 100) ³						Cost of Living Index 1935 = 100	Waggo Kilom. of Lo Truck						
	Total	Thereof funded	Imports	Exports	Export (+) or Import (-) Surplus	Import Goods	Export Goods			All Goods													
											Million kr.	Million kr.	Million kr.	Million kr.	Million kr.								
1938	2 566	2 443	2 082	1 843	- 239	123	10,9	111	120	111	106	44											
1949	12 055	8 714	4 333	4 250	- 83	190	2,7	278	253	216	166	110											
1950	12 464	8 949	6 102	5 707	- 395	197	2,2	332	314	227	168	120											
1951	12 823	9 037	9 188	9 207	+ 19	206	1,8	432	562	299	194	130											
1952	12 710	9 631	8 936	8 091	- 845	202	2,3	407	449	317	210	123											
1953	13 852	10 369	8 161	7 645	- 516	202	2,9	375	378	298	212	117											
	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954	1953	1954											
Jan.	12 293	13 810	9 626	10360	697	699	581	585	-116	-114	203	213	4,3	.	384	384	385	385	303	296	.	.	111,5
Feb.	13 326	14 055	9 792	10747	596	637	461	489	-135	-148	206	214	4,2	4,7	384	387	384	382	302	296	.	.	110,2
Mar.	12 320	13 704	10038	10932	669	804	555	600	-114	-204	212	219	3,2	.	380	393	383	381	301	296	213	214	127,3
April	12 601	14 055	10039	11069	688	760	594	612	- 94	-148	218	224	2,3	2,4	375	388	380	378	300	297	.	.	114,1
May	12 320	13 629	10036	10926	678	777	582	782	- 96	+ 5	210	224	1,8	.	373	389	377	378	299	296	.	.	111,5
June	12 532	13 587	10043	10934	681	711	697	738	+ 16	+ 27	214	227	1,7	1,7	373	388	374	378	299	298	212	215	116,7
July	12 884	14 040	10041	10908	648	731	660	746	+ 12	+ 15	210	214	.	.	371	390	372	379	298	297	.	.	102,5
Aug.	13 118	14 158	10013	10906	586	718	625	726	+ 39	- 92	199	209	1,5	1,5	370	383	371	380	296	296	.	.	118,2
Sept.	13 076	14 100	10209	11075	669	771	707	716	+ 38	- 55	211	253	.	.	371	377	375	379	295	295	212	214	128,6
Oct.	13 576	14 655	10251	10577	732	808	740	772	+ 8	- 36	223	222	1,7	.	369	381	376	382	295	296	.	.	133,4
Nov.	13 408	14 616	10251	11096	739	843	737	748	- 2	- 95	221	221	.	.	370	381	378	383	297	298	.	.	123,2
Dec.	13 852	15 059	10369	11862	778	709			- 69		222	222	5,3	.	377		385		296		212		117,5

¹ At the end of each year or month. — ² The yearly figures up to and including 1950 according to the Board of Trade, the other according to the Federation of Swedish Industries. — ³ The yearly figures represent averages of the monthly figures. — ⁴ Million kilometres per year on State Railways.

SKANDINAVISKA BANKEN

AKTIEBOLAG

Statement of Condition December 31st, 1954

ASSETS

Cash in hand and with the Riksbank	Kr. 162,842,000
Bonds and Treasury Bills	» 779,733,000
Loans and Discounts	» 2,742,782,000
Swedish Banks and Savings Banks	» 54,183,000
Banks abroad	» 79,048,000
Sundry Accounts	» 70,387,000
Shares	» 21,441,000
Buildings, Furniture and Fittings	» 33,495,000
	<u>Kr. 3,943,911,000</u>

LIABILITIES

Deposits	Kr. 3,235,156,000
Swedish Banks and Savings Banks	» 58,872,000
Banks abroad	» 96,635,000
Sundry Accounts	» 283,248,000
Share Capital	Kr. 161,760,000
Reserve Funds	» 108,240,000 » 270,000,000
	<u>Kr. 3,943,911,000</u>

Branch Network of SKANDINAVISKA BANKEN

-  Göteborg, Stockholm, Malmö
(Principal Offices)
-  Place with 10000 - 90000 inhabitants
-  less than 10000

In all 214 branches
at 167 different places.

